

Retail Week

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'Almost as bad as Lehman Brothers'

Store groups' sales collapse after inconclusive election spooks shoppers

BY RETAIL WEEK STAFF

Leading retailers' store sales plummeted with a suddenness and depth reminiscent of the worst days of the credit crunch after last week's election.

Store chiefs from leading chains and niche retailers alike told *Retail Week* that the resulting political deadlock unnerved consumers and kept them glued to the media. The effect was stark on Friday when sales "fell off a cliff", and remained down all weekend.

One fashion chief executive said: "The weekend was worse than expected with footfall really low – about 20% lower than we would have expected."

"Consumer sentiment is incredibly negative at the moment – almost as bad as when Lehman Brothers collapsed. People stopped spending once the hung parliament was announced."

One footwear chief executive revealed: "Trade collapsed following the election. Business has been double-digit down in some areas – some of our stores are doing half of what they were doing last year."

The boss of another chain selling lines ranging from clothing to homewares said: "Friday and Saturday were terrible. There was a bounce back on Sunday but not enough to make up for the previous two days."

One fashion director said "those



Trade 'fell off a cliff' on Friday and remained down all weekend, with fashion retailers suffering most from slow sales

two or three days were absolutely chaotic". People stopped shopping on Friday and the weekend "remained pretty grim".

Fashion retailers seem to have been affected most. However, IGD data circulated to grocery chiefs showed the weekend was "flat" across the industry, one supermarket executive said.

Others seem to have been less affected. World Cup promotions are understood to have drawn customers to electricals stores, for instance.

Retailers also reported that despite the fall-off in store sales, online performed strongly over the weekend – reflecting the fact that poor weather also put off shoppers and that many people were already online following developments.

Footfall monitor Experian reported that shopper traffic was down almost 2% on the Friday following the election.

"PEOPLE STOPPED SPENDING ONCE THE HUNG PARLIAMENT WAS ANNOUNCED"

Seymour Pierce analyst Freddie George said the formation of a coalition government is likely to help improve consumer confidence because the detailed negotiations between the participating parties will mean that the policies to be introduced will be made very clear.

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WHAT DOES THE COALITION MEAN FOR RETAILERS?

The policies laid out on Wednesday by the Conservatives and Liberal Democrats confirmed the intention to scrap part of Labour's planned rise in National Insurance, and affirmed the focus should be on reducing public spending, not higher taxes.

British Retail Consortium director-general Stephen Robertson welcomed the formation of a government because "business needs to have solidity and consistency".

Vince Cable has been named Business Secretary but the junior ministers were yet to be named as *Retail Week* went to press.

Prior to the election, the Tories pledged to consider further discounts on business rates, whereas the Liberal Democrats did not. The Conservatives also said they would introduce a supermarket ombudsman and amend planning laws to readopt the "needs test".

Park life

Retail parks have been on the back foot, but new names are now starting to freshen up their offers and draw footfall. Joanna Perry reports

After 18 months of retailer collapses and retrenchment, retail parks have received a lift in the past month, with Asda announcing its ambitions to open a further 125 Asda Living stores in the next five years and Best Buy's first UK store opening in Thurrock to acclaim.

This sector of the retail property market has traditionally done well, but has been hit by the woes of the big-ticket market, leading to the failure of MFI, Allied Carpets and Land of Leather.

But if every cloud has a silver lining, for retail park landlords it must be that the voids created have allowed them to bring greater diversity to their schemes where there is appropriate planning consent. So could the next year see even more variety coming to out-of-town retail?

Research from Trevor Wood Associates into retail park tenants shows that there was no movement in the ranking of the top players by space occupied in 2009 – B&Q, Homebase, Currys, Matalan, Carpetright and Comet. But, looking at tenants that grew their space most between 2008 and 2009, the names coming up are much less traditional. B&M Bargains, HobbyCraft, Smyths Toys, Home Bargains, Asda Living, Peacocks and New Look all recorded double-digit increases in the retail park space they occupied.

Andrew Collier, a partner at property consultant Cushman & Wakefield, says the value retailers are proving a draw, bringing shoppers onto retail parks, and landlords are happy to take them where they have the appropriate planning consent.

"Landlords want to talk to retailers like B&M Bargains," Collier says, since footfall and tenant mix go hand-in-hand. He adds that Poundland also offers "tremendous footfall and phenomenal turnover" and that the value and discount retailers' covenants are exceptionally good.



Asda has announced ambitions to grow its 24-store Asda Living portfolio, and Collier adds that the retailer brings real variety to a park. For the biggest tenants, which are a destination in their own right, this improved mix may not be so crucial. But, for the others in such schemes, the prospect of an Asda Living, Best Buy or John Lewis at Home should be positive.

Kingfisher group property director

TOP 20

Retail park tenants	Name	Retail park million sq ft	Change on 2008
B&Q	7.41	-6%	
Homebase	5.52	+4%	
Currys	4.57	+1%	
Matalan	3.43	+3%	
Carpetright	3.1	+3%	
Comet	2.82	0%	
Next	2.58	+8%	
Argos	2.55	+14%	
Halfords	2.4	+2%	
PC World	2.05	-2%	
TK Maxx	1.99	+7%	
Focus	1.92	-26%	
Pets at Home	1.86	+14%	
Boots	1.73	+5%	
Wickes	1.67	+4%	
Harveys	1.61	-1%	
Marks & Spencer	1.57	+7%	
Toys R Us	1.55	-4%	
JJB Sports	1.42	-43%	
Daneilm	1.41	+18%	

Source: Trevor Wood Associates



"WE ARE HAPPY IF WE ARE IN THE RIGHT LOCATION TO DRIVE OUR OWN FOOTFALL"

Ian Playford, Kingfisher

Ian Playford says: "Everyone is looking to maximise opportunities on retail parks. We are a destination, so we are happy if we are in the right location to drive our own footfall."

However, he concedes that there are always sites that could trade better. And having other draws to a retail park doesn't hurt.

Henderson Global Investors has found that demand for space at its 15 retail park schemes is picking up and that in some ways there is more demand than there is for high street or shopping centre space.

Henderson Global Investors senior portfolio manager Katherine Pye says that traditionally fashion-focused parks will remain fashion-focused, and rents have not really declined there, but value retailers have been able to move into the lower-end pitches that have opened up as a result of MFI and other such retailers vacating retail parks.

In addition to value retailers, Pye says that names such as HobbyCraft add an interesting dimension to a park. It is still not in that many locations and is set to be in store acquisition mode for another couple of years, bringing young families onto parks with their craft and gift offer. HobbyCraft grew its space on retail parks 31% between 2008

Should retailers pay staff when acts of god keep them from work? *Careers, p43*



retailer that has exceeded expectations with the quality of its retail park stores. He says: "People had thought it was dreary, but its modern stores are exciting, bright places for young people to shop."

One of the original fashion retailers to enter retail parks before fashion retail reached critical mass there was Next. Its retail park space increased 8% between 2008 and 2009. It has 18 out-of-town Next Home stores and has plans to expand its Next Home format during its current financial year with 12 more stores, occupying 150,000 sq ft of trading space.

One major high street success story that is missing from retail parks is Primark. Collier says: "Primark has always said it is happy in town, but the pipeline will be harder to come by."

Pye adds that it would be a really big coup to land Primark as the anchor tenant for a scheme, but it is unlikely to happen in the near future.

She says: "It has been quite anti-retail park in the past 18 months. I wouldn't have thought Primark would pay great rents, so I can't see it on a fashion park."

The one factor that might dissuade landlords from taking on new retailers into retail parks is if their fingers have been burned by CVAs and store closure programmes. JJB Sports' space on retail parks fell 45% – more than a million square feet – between 2008 and 2009.

But Parish would still encourage landlords to take on new and exciting retailers, even if there is a higher risk, because of the potential upside of what they can bring to a scheme. "JJB Sports, at its height, was a great operator to have in your scheme," he says.

If landlords continue to take this optimistic view, then the diversity and consumer attraction to retail parks will continue to grow.

and 2009, according to the research.

Another retailer Pye says is gently moving into retail parks is Mamas & Papas. She says the retailer does a great fit-out and could have a further 10 to 15 retail park stores in the pipeline, which again bring first-time parents-to-be and young families onto retail parks.

On the fashion front, H&M has just taken an out-of-town store in York and there is a feeling that fashion retailers that want larger stores will increasingly

have to look to retail parks for the space they want, as they will not find prime sites on high streets.

BNP Paribas Real Estate senior director and head of retail agency Ian Parish says that landlords are offering leading fashion brands turnover rents as the anchor tenant in some schemes to help the landlord attract other fashion retailers – a tactic that he says is working relatively well.

Collier adds that Peacocks is another

B&M Bargains, Asda Living, Mamas & Papas, Next Home and HobbyCraft are some of the new names adding footfall to retail parks

B&Q HOLDING THE TOP SPOT



B&Q has retained its leading position in Trevor Wood Associates' research into the leading tenants on retail parks, even though the figures show that the retailer's space on these schemes fell 6% between 2008 and 2009.

Kingfisher group property director Ian Playford disputes that the retailer has disposed of substantial

space – equating to 440,000 sq ft – and says that, although the retailer is not expanding substantially, it does want to make the best use of the space it has.

"There is a lot of speculation," he says but adds that it is better for B&Q to get new ideas into its existing stores. Playford confirms that B&Q has not built a new large-format store since 2005, but says that the focus is on optimising the use of space within its current portfolio, rather than looking at new format opportunities.

There are, however, a handful of infill locations that B&Q has its sights on, and Playford admits that these are in major cities, mentioning London as an example.

BNP Paribas Real Estate senior director Ian Parish says that rent reductions in some schemes could allow B&Q to get smaller-format stores in schemes that have been too expensive for it to open larger stores in the past, such as in the Greater London area.